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# SENATOR BILL MORROW



## CAPITOL UPDATE

### 2001-2002 Budget: Fiscal Irresponsibility

On July 26, 2001, the Governor signed Chapter 106 of the Statutes of 2001 (SB 739, Peace), the Budget Act of 2001-02. I have posted the Senate Republican Fiscal Office's final report on the 2001-02 Budget on my web site at <http://republican.sen.ca.gov/web/38/taxes.asp>. The highlights of the report are as follows:

- ***This is a deficit spending budget.*** Despite the Governor's vetoes (\$554 million, of which \$499 million is General Fund), the budget spends \$78.8 billion, which is \$3.7 billion more than anticipated revenues.
- ***The Budget sets up a serious shortfall next year.*** Based on the LAO's optimistic revenue estimates, there will be a \$3.7 billion shortfall next year, which will necessitate drawing down the reserve and cutting up to 4.4 percent out of baseline spending.
- ***The Budget expands government.*** While the Budget authorizes about \$1.3 billion less General Fund spending in 2001-02 than last year, this masks what is really going on. Once the elimination of one-time spending is taken into account, and after adjusting for smoke and mirrors, the base costs of government are increasing 5 percent.
- ***The Budget continues Governor Davis' growth of government.*** Since he took office, Governor Davis has increased the General Fund cost of government by \$21.4 billion, or 37 percent. He has increased the number of state workers by about 34,000 and has increased the cost of the bureaucracy from \$28 billion to \$37.6 billion, an increase of 32 percent.
- ***Based on his spending, the "education Governor" appears to be the Welfare Governor.*** In his first three years, Governor Davis has increased General Fund spending on Health and Human Services by \$5.8 billion, or 36 percent. The Budget Act gives a larger increase to Health and Human Services (9 percent) than it allots to Proposition 98 K-14 education (6.1 percent), the California State University system (6.4 percent), or the University of California (4.8 percent). It also includes trailer bills that would undermine welfare reform.
- ***The Budget raises taxes.*** Despite a budget that includes \$16 billion more in annual General Fund revenue than when he took office, Governor Davis is raising taxes on all Californians. The Budget Act is predicated upon an increase in the state's sales tax. The final budget also reneges on the few meager tax breaks Governor Davis proposed in January.
- ***The Budget adequately funds K-12, but seriously underfunds Community Colleges.***
- ***The Budget reneges on last year's promise to devote the sales tax on Gas to transportation.*** Republicans, however, successfully advocated to put a proposition on the March 2002 ballot to secure these revenues for transportation in the future.

## Budget Update Edition

For a detailed look at the State Budget and related issues, please visit the “Taxes and Spending” section of my web site at <http://republican.sen.ca.gov/web/38/taxes.asp>.

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